Community Uninterrupted

COVID-19 Impact on Digital Investment:

Wave #4

June 2, 2020

Wave #4 Covid-19 Buy-Side Snapshot

What we wanted to learn from our Agency and Marketer members…

While discussions accelerate around re-opening the economy and we speculate on what the next months will look like, IAB Canada is continuing to track the impact Covid-19 is having on our industry.

This is our fourth quick snapshot of how COVID-19 is impacting Canadian digital media investments thus far and respondents' plans for the next 3-6 months or later.

This updated set of 'broad impact' indicators is based on our fourth, just-completed 3-minute survey of community members at IAB Canada agencies and marketers.

A big thanks to all survey participants who made this report possible with your input.

Agencies and Marketers Invited to Respond

Wave 4 'In-Market' May 19-27, 2020; (Wave 2 April 14-23)

Nine-in-ten respondents from Agencies – consistent!

List of categories represented in fourth survey include:

- Automotive
- CPG
- Consumer Electronics
- Fashion & Apparel
- Financial services
- Media/Entertainment
- Retail
- Travel
- Telcos
- Real Estate
- Home products/services
- Governmental
- Pharma/Healthcare
- NGO
- Other

Note: Findings should be interpreted broadly/directionally.

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Blue Ribbon Buy-Side Panel

Enhanced Credibility

- Promote reliable interpretation of survey findings by IAB Canada, that reflect in broad terms what is *actually* happening in our business;
- Identify and notify IAB Canada of any ‘potentially misleading’ impressions by some survey respondents to assist responsible reporting.*

<u>The Panel</u>

Devon MacDonald - CEO, Canada, Mindshare
Gah-Yee Won - Director, Global Media & Marketing Science, Scotiabank*
Joanne Crump, VP Integrated Media, Active International**
Karel Wegert - Executive Vice-President, Media Experts IPG
Sean Dixon - Managing Director, Marketing Science, Omnicom Media Group***
Alexandra Panousis - CEO of Carat Canada
Stuart Garvie - CEO at GroupM Canada
Tracy Ball - Manager, Programmatic Marketing, The Home Depot Canada

** IAB Board member and Co-chair, Marketer Council*
*** Member, Agency Council*
**** Co-chair, Agency Council*

**** Note: The Blue Ribbon Panel was formed to address potential fluctuations in survey results from one wave to the next, due to differences in who is completing the survey and their particular circumstances. Blue Ribbon Panel members vary as to who provides feedback on each wave.***

Study Highlights

Powerful Digital Leadership

"Unlike other crisis situations/downturns, COVID-19 is unique in Advertisers and their agencies needing to adapt and revisit course of action, as government restrictions continually change and consumer behaviour with it".

Joanne Crump, VP Integrated Media, Active International

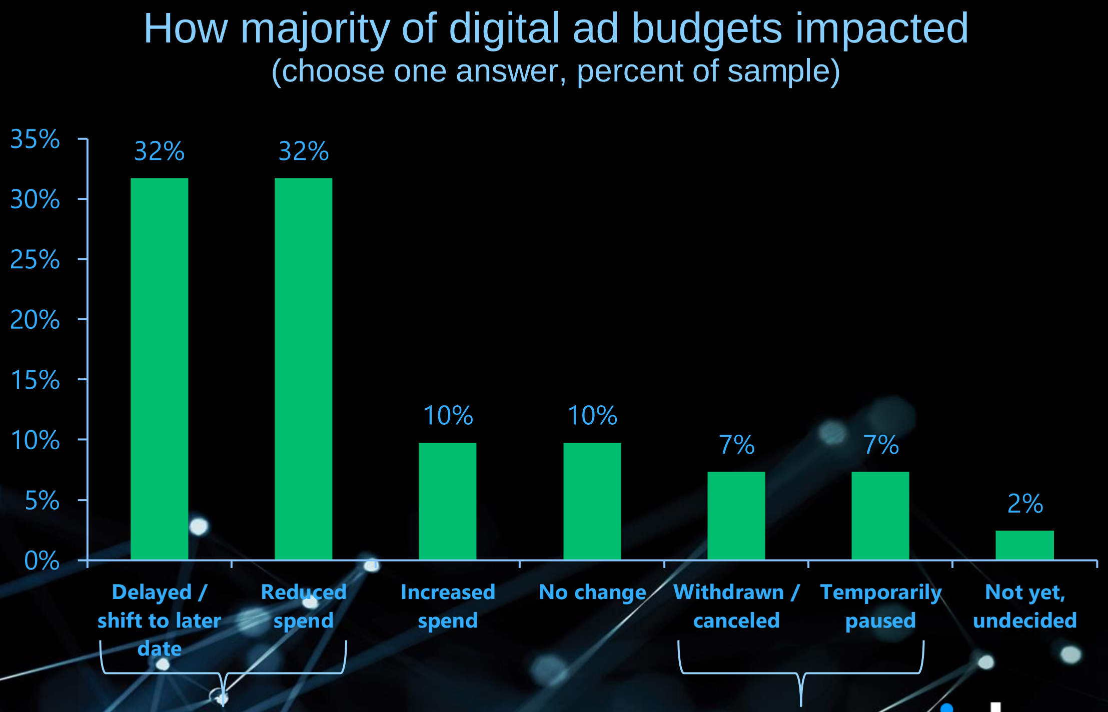
Almost 80% of Agency Sample Still Negatively Impacted

Q. How have majority of your digital budgets been impacted by COVID-19?

Overall a relatively stable 71% of budgets delayed, paused or reduced

Plus a stable 7% canceled

'Reduced Spend' response now risen to match 'Delayed /Shifted' (latter predominant in Wave 3)



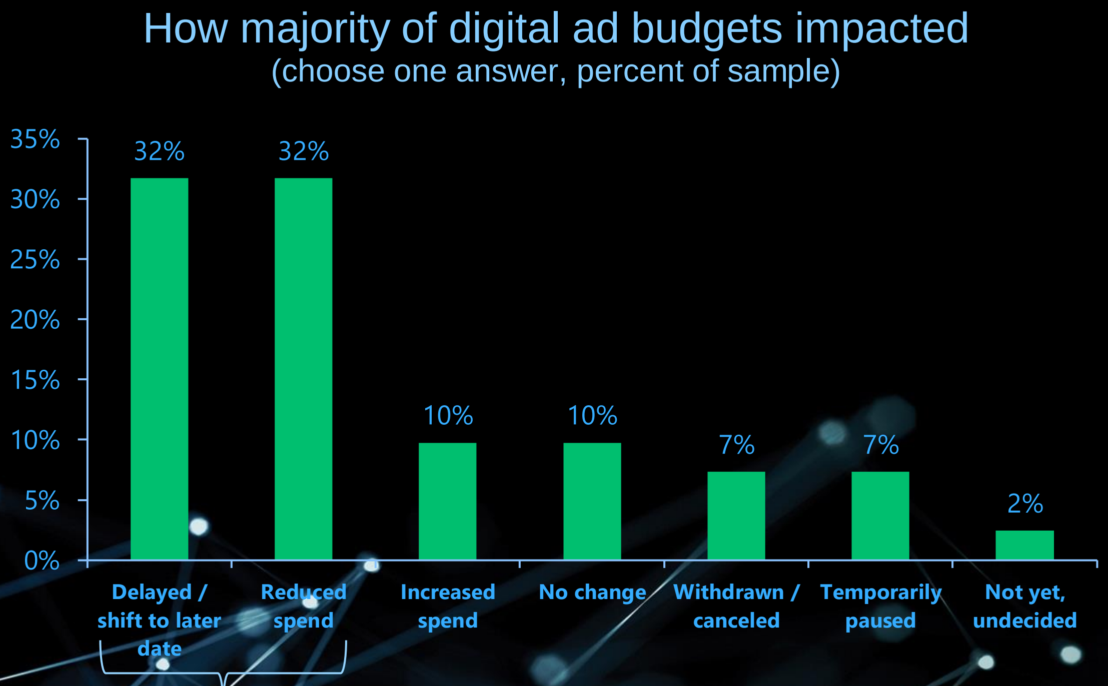
Note: Findings should be interpreted broadly/directionally. The survey covers proportion of respondents taking actions and not the volumetrics of how deep the cuts are in aggregate or how big the companies taking these actions may be.

Almost 80% of Agency Sample Still Negatively Impacted

Q. How have majority of your digital budgets been impacted by COVID-19?

"<u>The optimism around shifting budgets to the back half of the year is being replaced with some outright budget reductions</u>. While we had anticipated that this may happen, it is still a rough scenario for agencies as we are doing our very best to plan and resource in a way that will allow us to service our clients when things do go back to "normal".

- Member of the Blue Ribbon Panel



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Most Format Spends Affected, Outright Cancelations Still Rare

Q. How much of an increase/decrease by channel/tactic due to COVID-19?

Similar Format Ranking to Wave 3, based on 'Down, Pause/Delay, Cancel'!

Top-5 Most affected formats: *56-68%*

- *Paused/Delayed less common than reductions, ranging just 2-15% of respondents*
- *Reductions still tend under 40%, skew under 20%;*

Cancelations still rare: 7% for 3 higher spending formats ...

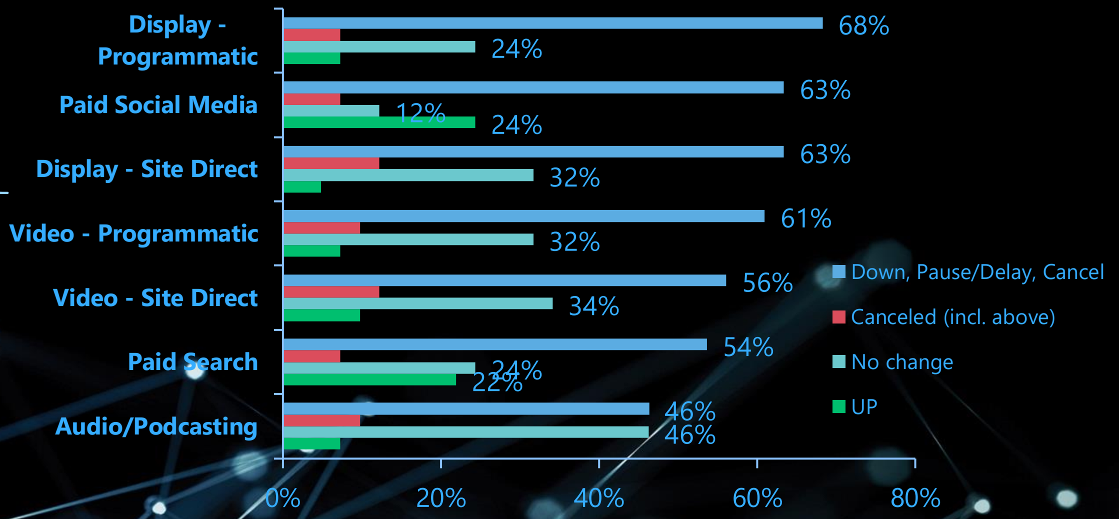
- *Programmatic Display,*
- *Paid Social and*
- *Paid Search*

Still Least affected: Audio, Search

Audio highlights 'identical' to Wave 3

Percent reporting changes to spending

(% sample by channel/tactic)



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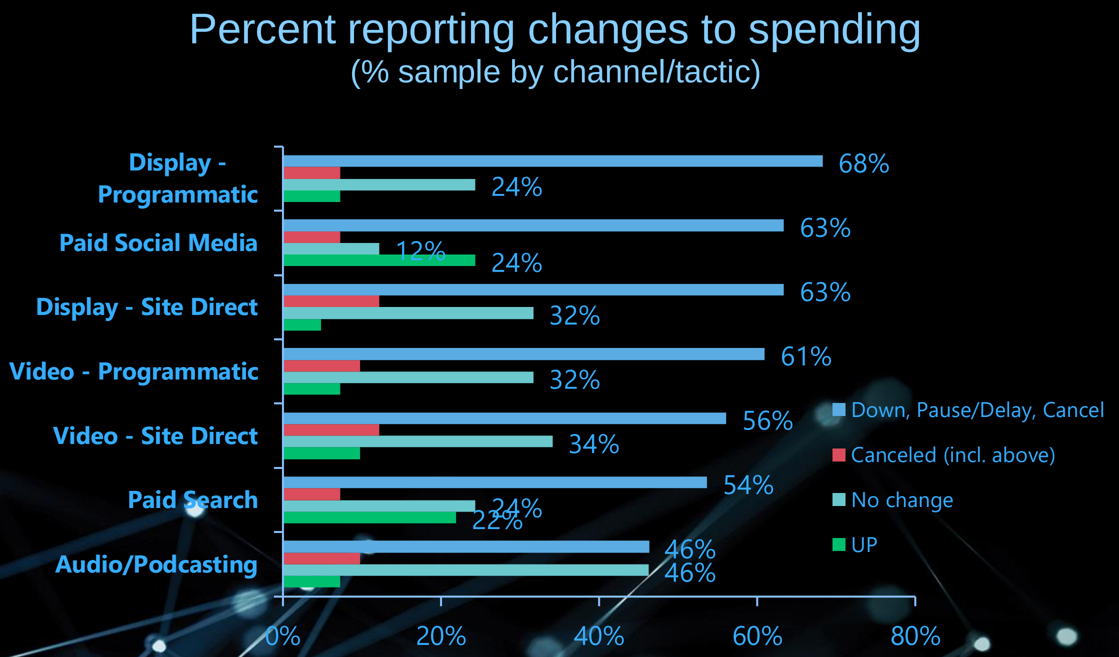
Most Format Spends Affected, Outright Cancelations Still Rare

Q. How much of an increase/decrease by channel/tactic due to COVID-19?

Consistent with Wave 3, respondents give no indication that Canadian publishers are more negatively impacted than global platforms.

"For Digital Audio, spends are still traditionally low for this emerging media. When we say that it hasn't been negatively impacted by COVID-19, is it because it wasn't on the plan in the first place".



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Costs Down - CPMs slightly more negatively affected than CPCs

Q. How much of increase/decrease in CPMs vs CPCs on average, due to COVID-19?

New to Wave 4…

Up to half of respondents say both CPMs and CPCs are down.

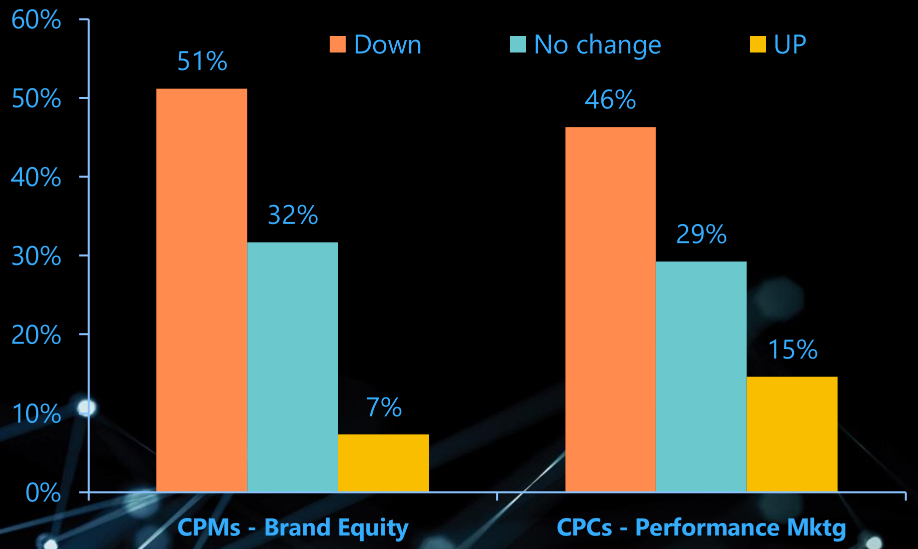
Definitions:

- CPMs - Brand Equity (i.e. top of funnel: awareness to consideration)
- CPCs - Performance Marketing (i.e. bottom funnel: trial / purchase)

"As more eyeballs have shifted to digital and thus more impressions available, supply is outpacing demand, consequently cost to reach most audiences is down making it a buyers market".

Joanne Crump, VP Integrated Media, Active International

Percent reporting changes to CPMs and CPCs
(percent sample per metric)



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‘Less Spending’ has generally risen

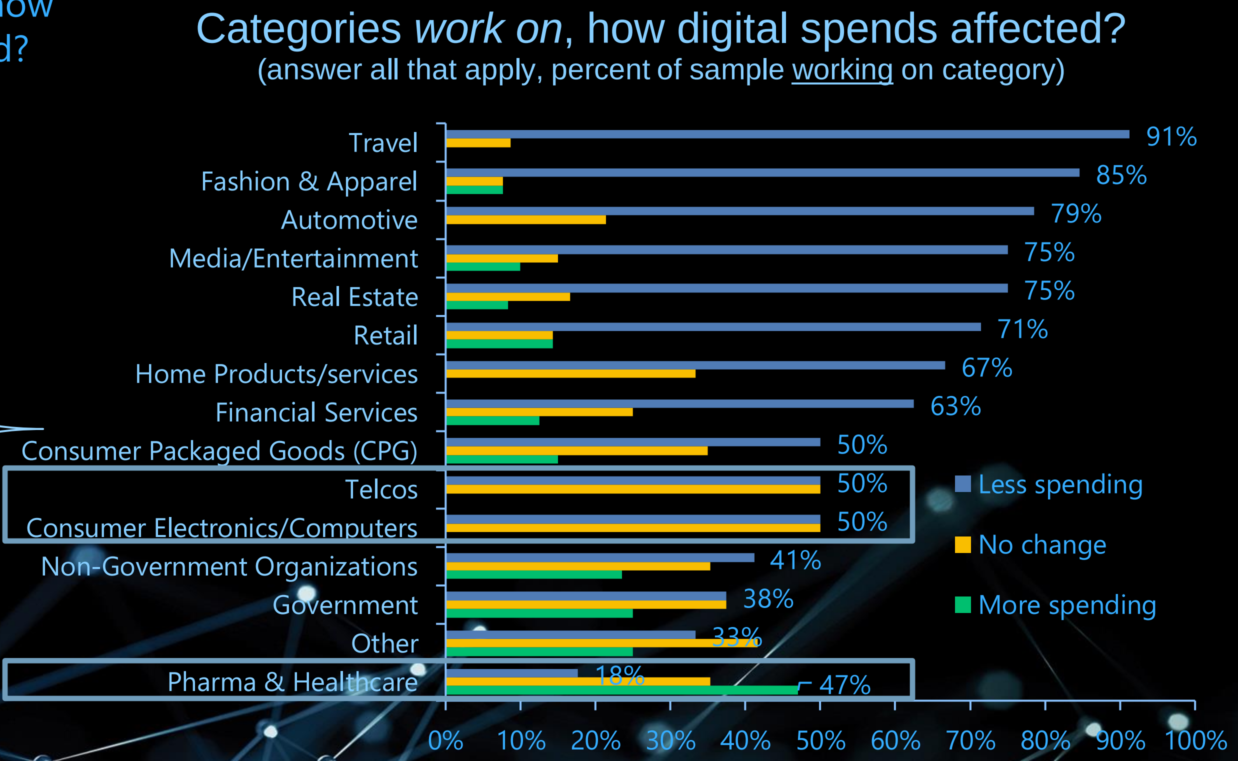
Q. For the categories you work on, how have digital ad spends been affected?

General Increase in percent of sample reporting ‘Less Spending’ in Wave 4*

Still among ‘5 Least Affected’ (excl. Other)
- Telcos
- Consumer Electronics
- NGOs
- Government
- Pharma/Healthcare

Biggest % ‘More Spending’
- Still Pharma/Health

Biggest % ‘No Change’
- Telcos
- Electronics



*Note: Findings should be interpreted directionally. In this chart incidence levels are elevated compared to Wave 3; data analysis indicates that only a small proportion, 6% on average, may be due to removal of the “Not Applicable’ option (done for survey simplicity). The survey covers proportion of respondents taking actions and not the volumetrics of how deep the cuts are in aggregate.

‘Less Spending’ has generally risen

Q. For the categories you work on, how have digital ad spends been affected?

“Validating that we are seeing most FIs with less spending as budgets are mostly deferred or outright cut but no asks to cancel media yet”.

- Member of the Blue Ribbon Panel

“The good news is that some categories are basically back on (telco for us) which is doing a lot to offset those that are still dark”.

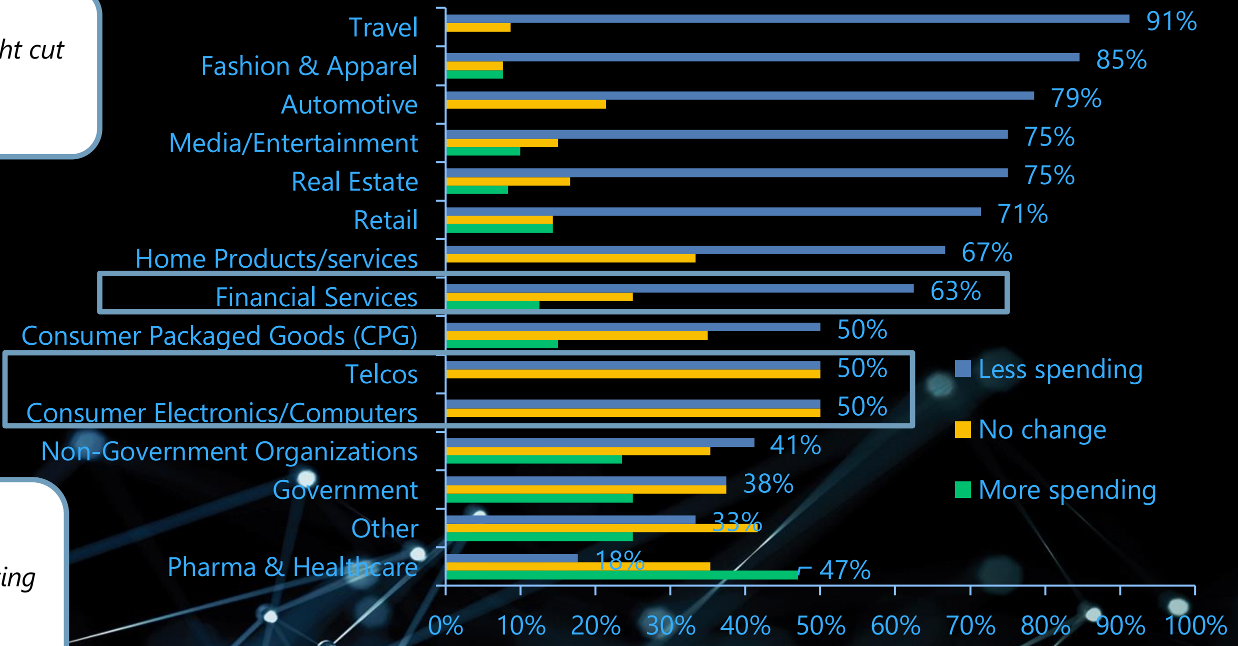
- Member of the Blue Ribbon Panel

“Will be interesting to see now that most provinces have eased restrictions, whether we will see some money come back as retailers/business now operating may want to promote”.

- Member of the Blue Ribbon Panel

Categories *work on*, how digital spends affected?

(answer all that apply, percent of sample working on category)



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IAB Canada Buy-side Barometer: Wave 4, COVID-19 Impact on Digital Investment 2020

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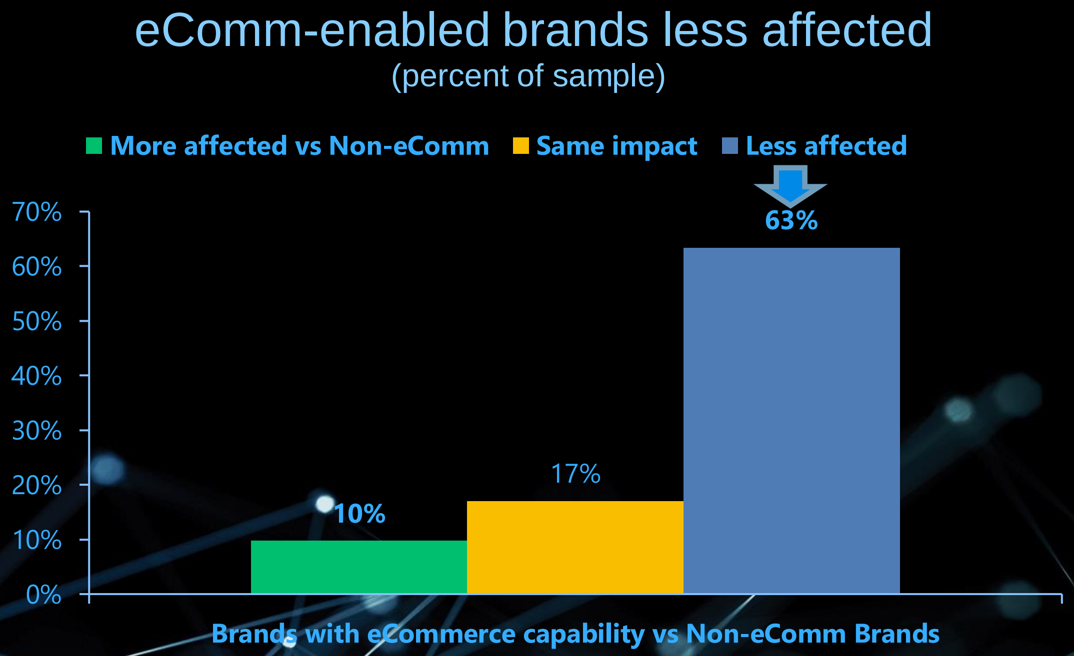
eCommerce Enabled Brands Continue to be Less Impacted

Q. Are brands with eCommerce capabilities more/less affected than non?

Findings almost identical to Wave 3: (67% less affected)



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Percentages do not sum to 100%, as Not Applicable not shown (i.e. categories not worked on)

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What issues are driving spend reductions?

Powerful Digital Leadership

Cash flow & Consumer Trends pack Hardest Punch

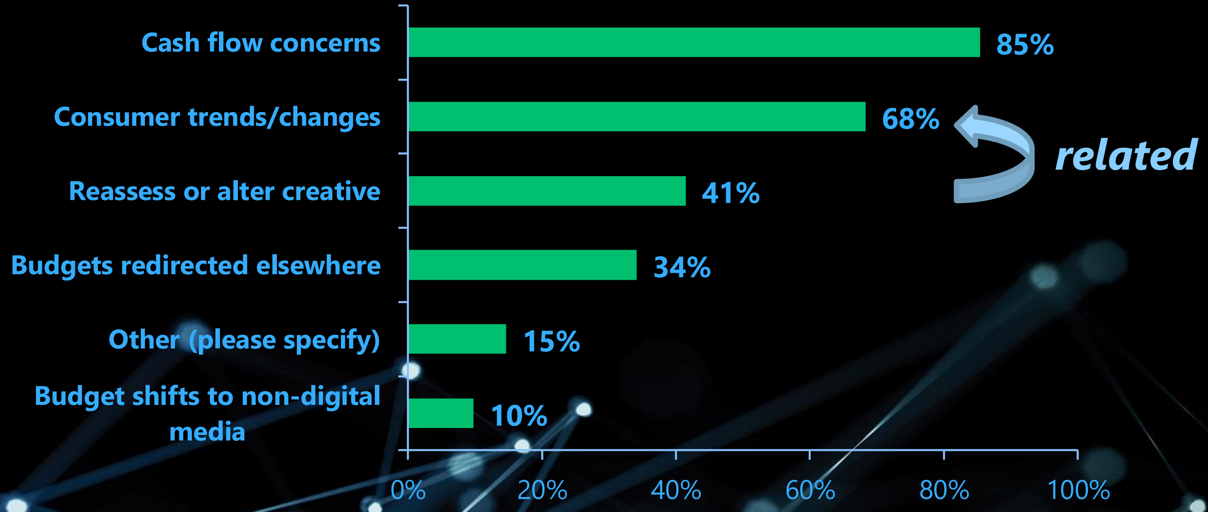
Q. Main reasons for your firm's or clients' digital budget decreases, pauses, etc.?

"Closed stores, supply issues out of China"

"Client: No money in, no money out. Simple."

"Sensitivity to commercial messaging during a crisis".

Reasons for digital decreases / pauses etc.
(percent sample, all that apply)



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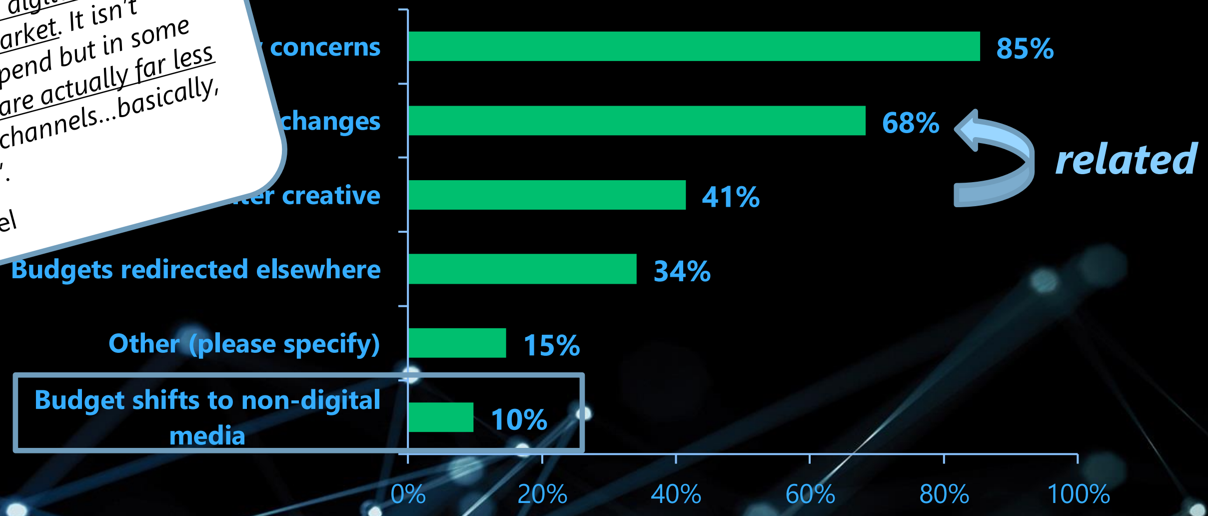

"We are seeing more advertisers turn to digital before traditional media as they go back to market. It isn't enough to reflect increases in digital spend but in some cases the decreases we see in Digital are actually far less pronounced than some other media channels…basically, this all could have been even worse".

- Member of the Blue Ribbon Panel

Note: Findings should be interpreted broadly/directionally.
Percentages do not sum to 100%, as Not Applicable not shown (i.e. categories not worked on)

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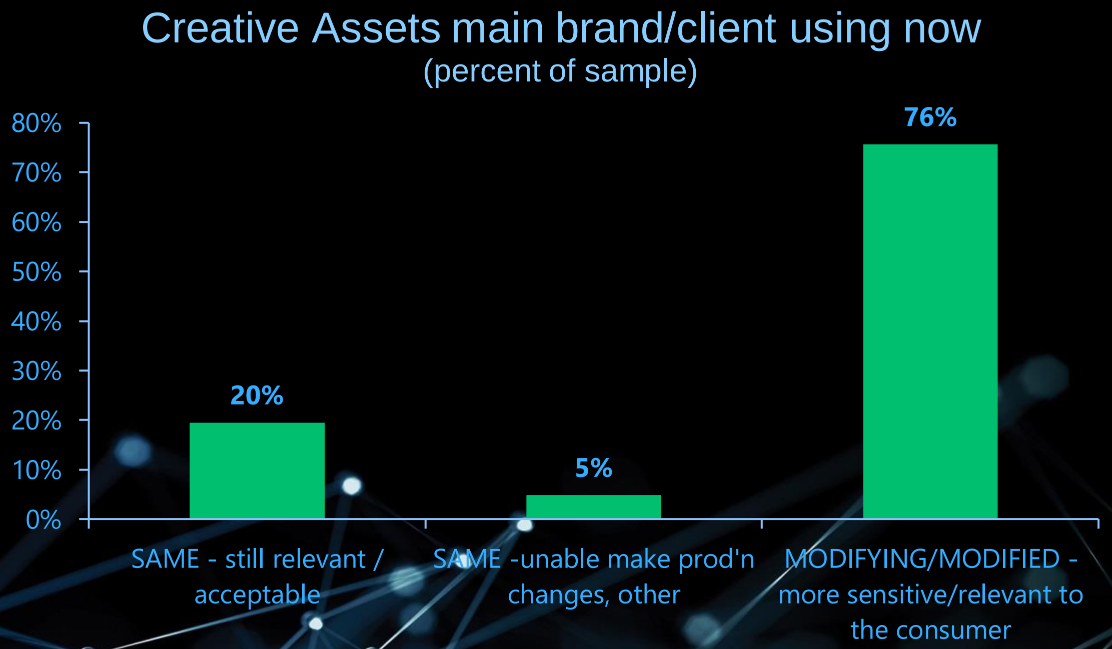
Three Quarters using Modified Creative

Q. What CREATIVE ASSETS your main brand or client is using at present.

New to Wave 4…

Three of four advise use of modified creative.

One of four found existing creative still relevant.



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One-in-five Blacklisting 'hard news' Due to COVID.

Q. For majority of brands or clients, which statement best reflects approach to advertising in/adjacent to hard news content due to COVID-19? (one answer)

New to Wave 4…

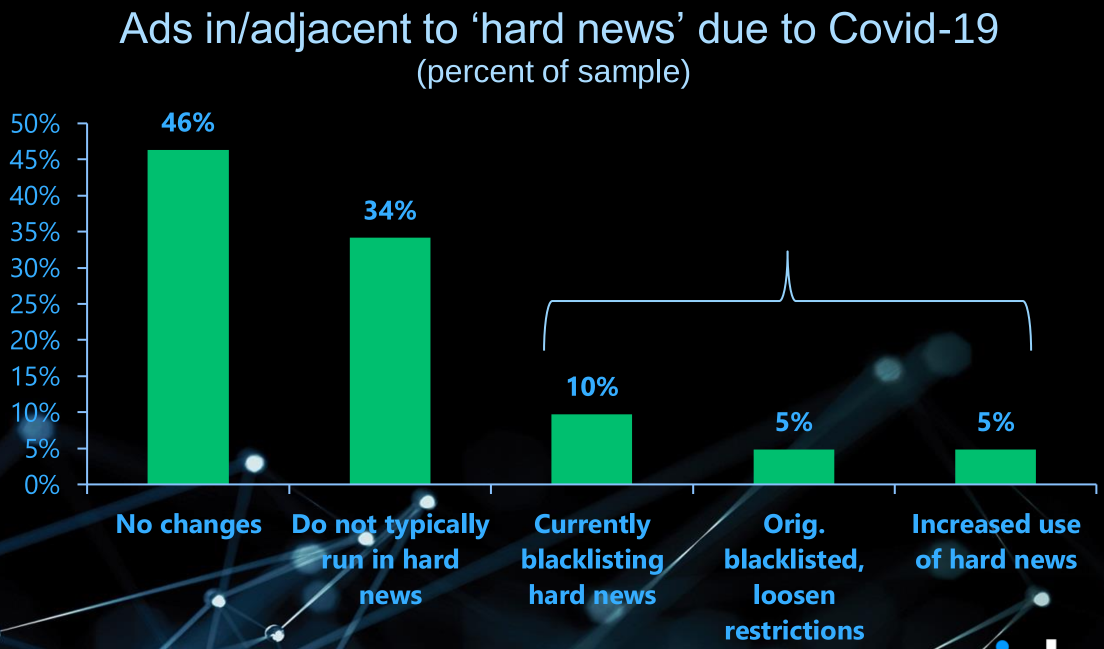
Almost half indicate 'no change' due to Covid-19.

Just 5% indicate now loosening restrictions

Definition of 'Hard News':

- Very time sensitive, serious politics, foreign affairs, human disasters; not routine arts or lifestyle-related news

"For hard news, we don't blacklist the entire category but use negative keywords to improve brand safety".



Note: Findings should be interpreted broadly/directionally.

Looking to the future…

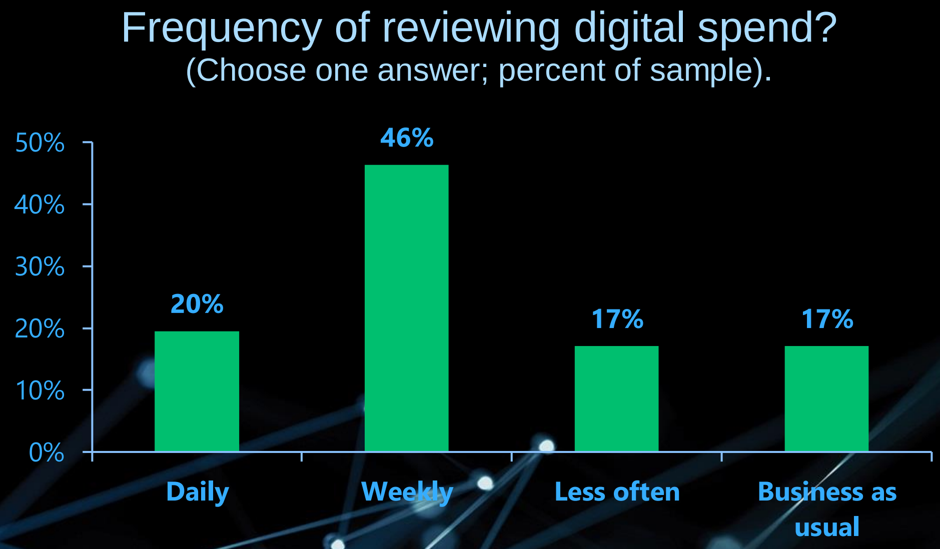
Powerful Digital Leadership

Ongoing Live Situation, Fewer 'Daily' Spend Reviews

Q. How often reviewing digital spend strategy with your team or agency for major modifications (not the usual optimizations)?

Two-thirds review their budgets 'weekly or more often',

Down from Wave 3 (fewer Daily reviews).

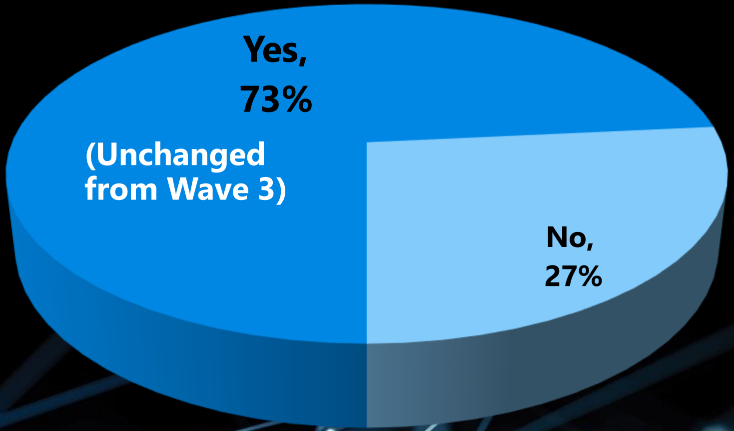


Note: Findings should be interpreted broadly/directionally.

Over Seven-in-Ten Still Anticipate Reduced Spends

Q. Whether or not you have seen a reduction yet, are you still anticipating a drop in expenditure across digital media as a result of COVID-19?

Still anticipating drop in digital spend
(percent of sample)



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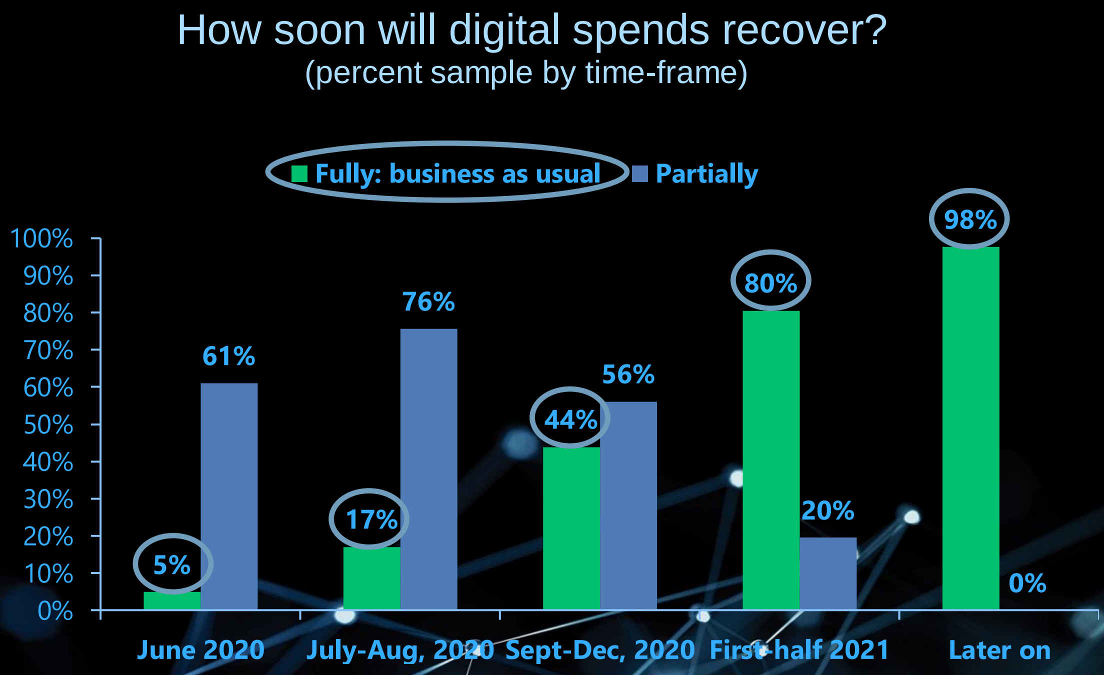
Recovery Timing Assessment - Pushed out to 2021

Q. How soon do you anticipate your brand/clients will resume paid digital media strategies/spends, as COVID-19 weakens and businesses recover?



Differs vs Wave 3:

- Seven-in-ten foresaw full recovery by Sept-Dec.

"Our clients that shifted their start dates into Q3 and Q4 are still looking to spend in 2020; however I suspect if restrictions are not loosened more, that we will see more shift into 2021".

- Member of the Blue Ribbon Panel

Summary – Spend *Impacts accumulating, delayed recovery*

- Continues to be a **'live'** situation – **weekly** or even daily budget reviews by two-thirds of respondents (66%), but **fewer on a daily basis (20%)** than in Wave 3
- Almost 80% say digital budgets '**reduced/paused/delayed/canceled**' (78%), cancelations rare (7%)
    - **'Reduced spend' score is up** vs Wave 3, now matching 'Delayed/Shifted to Later date'
- **Audio** again **least affected** of formats due to low overall spend (46% reduced etc.), **Search** is next (54%)
- **Programmatic Display hardest hit** again, 68% citing 'reduced etc.' spends
- Up to half of respondents indicate **both CPMs and CPCs** (slightly less so) are **down**
- More respondents reporting less spending for all Ad Categories **except Pharma**
- Hopefuls include **Telcos and Consumer Electronics**
- **Hardest hit** digital clients include Non-eCommerce-enabled Brands
- Top ongoing ***causes of cutbacks*** - cash flow concerns (85%) and consumer trends (68%)
- Three quarters report using **modified creative**, one-in-five **blacklist** 'hard news' due to COVID
- Most expect **more spend reductions** - 73%, same as Wave 3.
- Delay in full recovery pushed-out to **First half 2021.**

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Thank you for supporting IAB Canada

Powerful Digital Leadership

Any Suggestions for our next Survey Wave 5?

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